THEMBISILE HANI LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2016

General Information

Mayoral committee	
Executive Mayor	Hon NJ Mahlangu
Speaker	Cllr PP Moseri
Chief whip	Cllr JL Mtsweni
Members of Executive Committee	Cllr LX Mtsweni
	Cllr MQ Mnguni
	Cllr LM Mboweni
Councillors	Cllr A Mahlangu
	Cllr MP Mtsweni
	Cllr TL Huma
	Cllr MA Motena
	Cllr BJ Skosana
	Cllr KV Jiyane
	Cllr CD Zabane
	Cllr M Msiza
	Cllr LM Tshabangu
	Cllr MJ Masuku (Passed on)
	Cllr HN Dhlangalala
	Cllr TE Mashinini
	Cllr N Ngoma
	Cllr M Danisa
	Cllr MC Mosena
	Cllr DD Sithole
	Cllr PA Masombuka
	Cllr BP Masombuka
	Cllr JZ Buthe
	Cllr MS Nkuta
	Cllr JM Masombuka
	Cllr ST Mnisi
	Cllr SP Mtshweni
	Cllr TE Motanyane
	Cllr SQ Kabini
	Cllr AM Mohoaduba
	Cllr M Danisa
	Cllr TL Mabena
	Cllr MP Msiza
	Cllr MV Sibanyoni
	Cllr PM Mashaba
	Cllr IM Mahlangu
	Cllr TJ Tibane
	Cllr MC Shabalala
	Cllr JB Mahlangu
	Cllr RH Mohlamonyane
	Cllr M Mlambo
	Cllr JF Mashiya
	Cllr TW Mthombeni
	Cllr MM Sepogwana
	Clr AB Khumalo
	Cllr JT Mahlangu
	Cllr MH Buda

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
FMG	Finanacial Management Grant
MSIG	Municipal Systems Improvement Grant
EPWP	Expanded Public Works Program
INEP	Integrated National Electrification Grant

Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of tha opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absoluta, assurance against material misstatement or deficit.

Tha accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the THLM Municipality for continued funding of operations. The annual financial statements are prepared on the basis that tha municipality is a going concern and that the THLM Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 56, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Mr ON Nkosi
Municipal Manager

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2016.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

Audit Committee members and attendance

The Audit Committee, consisting of independent outside members listed below, meets at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

Name of Member	Number of meetings attended
SAB Ngobeni (Chairperson)	06 out of 6
T Matabane	04 out of 6
Z Nzimande	04 out of 6

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the municipality revealed certain weaknesses, which were then raised with the municipality.

There has been an improvement in the system of internal control of the municipality and reducing qualification issues of previous year. There ere several deficiencies in the system of internal control and/or deviations there were reported by the internal euditors end the Auditor-General. In certain instances, the matters reported previously have not been fully and satisfactorily addressed. The Audit Committee notes management's commitment to correct the deficiencies. During the year under review there was consistent monitoring of action plans and progress.

In-Year Management and Monthly/Quarterly Report

The municipality has monthly and quarterly reporting system to the Council as required by the Municipal Finance Management Act (MFMA). Monitoring and reviews of performance information were periodically in the year under review.

Performance Management

The AC reviewed functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as achievement of planned targets is concerned and increasing capacity within the performance management unit.

Risk Management

The AC is of the opinion that municipality's risk management appears to be effective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies. Management has a sound and effective approach has been followed in developing strategic risk management plans and there is a sense of appreciation of the impact of the municipality's risk management framework on the control environment.

Furthermore, the AC did review the municipality's fraud prevention plan so as to be satisfied that the municipality has appropriate processes and systems in place to capture, monitor and effectively investigate fraudulent activities.

Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by Internal Audit during the year. Thus there is a room for improvement in so far as establishing an effective system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

Internal Audit

The AC is satisfied with the effectiveness of Internal Audit, and commend Management and Council for capacitating this unit. The above conclusion is based on:

Reviewal with management and approval the internal audit charter, strategic and operational plans, internal audit activities, staffing (including competence and qualifications), and organisational structure of the Internal Audit Unit;

Implementation of the approved the annual internal audit plan and all major changes to the plan.

Audit Committee Report

There were no unjustified restrictions or limitations on work of the internal audit.

Review with Chief Internal Auditor the internal audit budget, resource plan, activities, and organizational structure of the internal audit function;

Compliance with the IA's international standards for the professional practice by Internal Auditing unit

Implementation of remedial action plan on internal audit findings by management.

Consequence Management
The municipality is in the process of developing a consequence management framework for implementation.

Combined Assurance Framework
The AC commends management for the development of combined assurance framework.

Conclusion
The Audit Committee wishes to acknowledge the commitment from Council, management and staff of the municipality. The stability in terms of the political and administrative leadership of the municipality has contributed to these improvements report above. We would also like to thank the Executive Mayor for his support, Councillors, senior management for their efforts and internal audit for their contribution.

SAB Ngobeni (Mr)

Chairperson of the Audit Committee

Thembisile Hani Local Municipality

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	6	86 833 940	82 239 807
Receivables from exchange transactions	7	3 471 389	3 448 820
Receivables from non-exchange transactions	8	39 454	47 008
VAT receivable	9	15 614 716	8 860 818
Consumer debtors	10	23 486 744	49 443 854
Cash and cash equivalents	11	68 831 678	86 440 151
		198 277 921	230 480 458
Non-Current Assets			
Property, plant and equipment	3	1 881 877 996	1 913 117 501
Intangible assets	4	415 115	385 682
		1 882 293 111	1 913 503 183
Total Assets		2 080 571 032	2 143 983 641
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	89 278 677	90 420 928
Unspent conditional grants and receipts	13	21 142 981	57 091 035
Provisions	14	2 490 253	2 714 554
		112 911 911	150 226 517
Non-Current Liabilities			
Employee benefit obligation	5	7 015 000	5 297 000
Provisions	14	15 658 173	18 994 717
		22 673 173	24 291 717
Total Liabilities		135 585 084	174 518 234
Net Assets		1 944 985 948	1 969 465 407
Reserves			
Revaluation reserve	12	207 577 510	207 577 510
Accumulated surplus		1 737 408 438	1 761 887 897
Total Net Assets		1 944 985 948	1 969 465 407

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* See Note 39

THEMBISILE HANI LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand		2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	102 775 567	94 696 399
Rental of facilities and equipment	18	622 205	787 530
Interest received	19	27 394 308	21 819 785
Total revenue from exchange transactions		**130 792 080**	**117 303 714**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	33 183 557	44 693 472
Transfer revenue			
Government grants and subsidies	22	516 085 505	362 851 765
Licences and permits	23	5 823 636	5 296 314
Public contributions and donations	24	13 480 181	25 630 449
Fines		1 716 728	11 722 482
Other income		1 254 067	1 337 852
Total revenue from non-exchange transactions		**571 543 674**	**451 532 334**
Total revenue	16	**702 335 754**	**568 836 048**
Expenditure			
Employee related costs	25	(108 510 078)	(108 431 426)
Remuneration of councillors	26	(20 009 378)	(18 400 543)
Depreciation and amortisation	27	(133 531 523)	(140 822 477)
Impairment loss	28	(9 890 472)	(72 150)
Finance costs	29	(395 605)	(660 584)
Rental of office equipment		(957 695)	(768 939)
Debt impairment	30	(164 697 527)	(82 732 446)
Repairs and maintenance		(1 092 153)	(2 632 479)
Bulk purchases	31	(119 250 318)	(99 989 953)
Grants and subsidies paid	21	(57 467 498)	(13 231 000)
General expenses	32	(116 387 556)	(73 775 789)
Total expenditure		**(732 189 803)**	**(541 317 786)**
Operating (deficit) surplus		**(29 854 049)**	**27 518 262**
Decrease in leave and bonus provision	33	224 301	72 199
Loss on non-current assets held for sale or disposal groups		(5 239 945)	(558 287)
		(5 015 644)	**(486 088)**
(Deficit) surplus for the year		**(34 869 693)**	**27 032 174**

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* See Note 39

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	207 577 510	1 358 050 630	1 773 205 650
Adjustments			
Prior year error*	-	376 805 096	376 805 096
Balance at 01 July 2014 as restated*	**207 577 510**	**1 734 855 726**	**1 942 433 236**
Changes in net assets			
Surplus for the year	-	27 032 174	27 032 174
Total changes	-	27 032 174	27 032 174
Restated* Balance at 01 July 2015	**207 577 510**	**1 761 887 897**	**1 969 465 407**
Changes in net assets			
Surplus/(Deficit) for the year	-	(34 869 693)	(34 869 693)
Total changes	-	(34 869 693)	(34 869 693)
Balance at 30 June 2016	**207 577 510**	**1 737 408 436**	**1 944 985 946**
Note(s)	12		

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* See Note 39

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Taxation		26 404 676	57 491 253
Sale of goods and services		129 081 425	9 119 859
Grants		428 430 000	330 195 000
Interest income - trading and investments		10 066 429	4 103 851
Other receipts		22 322 181	1 353 220
		616 304 711	402 263 183
Payments			
Employee costs		(125 250 721)	(121 790 971)
Suppliers		(396 054 935)	(216 693 855)
Finance costs		(395 605)	(660 584)
		(521 701 261)	(339 145 410)
Net cash flows from operating activities	34	**94 603 450**	**63 117 773**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(117 422 435)	(114 830 538)
Proceeds from sale of property, plant and equipment	3	5 239 945	74 615 057
Purchase of other intangible assets	4	(29 433)	(385 682)
Land previously not recognised		-	22 512 110
Net cash flows from investing activities		**(112 211 923)**	**(17 889 053)**
Net increase/(decrease) in cash and cash equivalents		**(17 608 473)**	**45 228 720**
Cash and cash equivalents at the beginning of the year		86 440 151	41 211 431
Cash and cash equivalents at the end of the year	11	**68 831 678**	**86 440 151**

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* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Service charges	60 791 024	3 093 806	63 884 830	102 775 567	38 890 737	Due to the uploading of supplementary Valuation Roll and also prior year error correction(s)
Rental of facilities and equipment	594 678	(58 032)	536 646	622 205	85 559	More revenue was collected then anticipated because more uses utilised the rented facilities
Interest received - investment	26 945 542	2 436 550	29 382 092	27 394 308	(1 987 784)	Less interest were charged on arreers because of the amnesty given to the consumers
Total revenue from exchange transactions	**88 331 244**	**5 472 324**	**93 803 568**	**130 792 080**	**36 988 512**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	57 411 200	-	57 411 200	33 183 557	(24 227 643)	The projection of revenue was overstated basis on the previous year history of which decreases in the current financial year
Transfer revenue						
Government grants and subsidies	428 430 000	-	428 430 000	516 085 505	87 655 505	Unspent grants rolled over
Licences and permits	6 448 538	(62 702)	6 385 836	5 823 636	(562 200)	Less revenue received than projected because less consumers paid

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand			Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Public contributions and donations	-	-	-	13 480 181	13 480 181	Received from Nkangala District Municipality	
Fines, Penalties and Forfeits	1 500 000	(914 342)	585 658	1 716 728	1 131 070	Private company issued fines in py in current year only traffic officers issued fines	
Other income	20 755 096	(457 787)	20 297 309	1 254 067	(19 043 242)	More revenue was received than anticipated	
Total revenue from non-exchange transactions	**514 544 834**	**(1 434 831)**	**513 110 003**	**571 543 674**	**58 433 671**		
Total revenue			**602 876 078**	**4 037 493**	**606 913 571**	**702 335 754**	**95 422 183**
Expenditure							
Personnel	(117 822 014)	(1 464 501)	(119 286 515)	(108 510 078)	10 776 437	Less payment because of vacant posts which were filled late and this resulted to savings	
Remuneration of councillors	(18 512 500)	(1 531 410)	(20 043 910)	(20 009 378)	34 532	The budget was more projected than payments	
Depreciation and amortisation	(151 000 100)	-	(151 000 100)	(133 531 523)	17 468 577	Decrease in depreciation due to disposals of assets	
Impairment loss/ Reversal of impairments	-	-	-	(9 890 472)	(9 890 472)	Revaluation of assets	
Finance costs	-	-	-	(395 605)	(395 605)	Due to late payment of creditors	
Lease rentals on operating lease	(1 181 000)	696 000	(485 000)	(957 695)	(472 695)	Additional contracts were entered and this resulted to additional expenditure	
Bad debts written off	(61 322 936)	-	(61 322 936)	(164 697 527)	(103 374 591)	Prior year error corrections made on billing of consumers	
Repairs and maintenance	(1 650 000)	(657 189)	(2 307 189)	(1 092 153)	1 215 036	Less payments were made than projected	
Bulk purchases	(149 641 061)	12 131 151	(137 509 910)	(119 250 318)	18 259 592	Less was were supplied and this resulted to the less payment made	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand			Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Government grants and subsidies	(6 747 000)	77 193	(6 669 807)	(57 467 498)	(50 797 691)	Less commitments and payments were made then budgeted	
General expenses	(62 973 140)	(55 138 555)	(118 111 695)	(116 387 556)	1 724 139	Less commitments and payments were made than budgeted	
Total expenditure	**(570 849 751)**	**(45 887 311)**	**(616 737 082)**	**(732 189 803)**	**(115 452 741)**		
Operating deficit			32 026 327	(41 849 818)	(9 823 491)	(29 854 049)	(20 030 558)
Fair value adjustments	(3 483 828)	-	(3 483 828)	224 301	3 708 129		
Loss on non-current assets held for sale or disposal groups	-	-	-	(5 239 945)	(5 239 945)	Loss pm non-current assets not budgeted for	
	(3 483 828)	-	(3 483 828)	(5 015 844)	(1 531 816)		
Deficit before taxation			28 542 499	(41 849 818)	(13 307 319)	(34 869 693)	(21 562 374)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement			28 642 499	(41 849 818)	(13 307 319)	(34 869 693)	(21 562 374)

Reconciliation

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual finencial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate es a going concern for at least the next 12 months.

1.3 Comparitive figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The reclassification are further explained in note 40.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Traffic fines - IGRAP 1

The application of IGRAP 1 requires estimations to be made on the probability of receipts for traffic fines. This is done using legislation, historical data and payment trends.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including, together with economic factors such as exchange rates inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increese the depreciation charge where useful lives ere less than previously estimated useful lives.

The municipality's management determines the estimated useful lives and related provision for rehabilitation of landfill sites. The estimates is based on the pattern in which the landfill site's future economic benefits or services potential are expected to be consumed by the municipality.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:
GRAP 20: Related Party Disclosures
GRAP 32: Service Concession Arrangements: Grantor
GRAP 105: Transfer of Function between Entities under Common Control
GRAP 106: Transfer of Function between Entities not under Common Control
GRAP 107: Mergers
GRAP 108: Statutory Receivables

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

The adoption of these standards will have no material impact on the Annual Financial Statements.

The following GRAP standard has been approved but is not required to be applied:
GRAP 18: Segment Reporting

1.5 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.5 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life

Accounting Policies

1.5 Property, plant and equipment (continued)

Land	Straight line	Indefinite
Buildings	Straight line	50
Infrastructure	Straight line	
• Roads and Stormwater		25-50
• Reservoirs		50
• Electrical		25
• Water Reticulation		120
• Sewer		60
• Bulk Water Pipeline		60-100
• Sewerage Pump Station		50
• Water Pump Station		50
• Stabilisation Ponds 2		25
• Waste Water Treatment Plant		50
• Borehole		30
• Telemetry System 5		5
Community	Straight line	
• Buildings		50
• Recreational Facilities		50
• Halls		50
• Libraries		50
• Parks and Gardens		50
• Creche		50
• Abattoir		50
Other property, plant and equipment	Straight line	
• Property, Plant and Equipment		5-10
• IT Equipment		3-5
• Office Equipment		3-7
• Furniture and Fittings		3-7
• Motor Vehicles		5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are initially recognised at cost.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

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Auditor General South Africa
Mpumalanga Business Unit

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabitities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of e financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financiel liability is recognised. Similarly, a substentiel modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liebility and having recognised e new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.9 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services ere rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of eny reversal of any write-down of inventories, arising from an increese in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.11 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) end cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payeble as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- en employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits end termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.15 Provisions and contingent liabilities

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.15 Provisions and contingent liabilities (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligetion to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the fenenciel statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law anforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal valua in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.18 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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2. New standards and Interpretations

2.1 Standerds and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and ara mandatory for tha municipality's accounting periods beginning on or after 01 July 2016 or latar periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2017	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2017	The impact of the amendment is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Tha impact of the amendment is not material.
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	none

Notes to the Annual Financial Statements

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3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	552 506 616	(236 350 870)	316 155 746	547 872 481	(228 322 441)	321 550 040
Plant and machinery	37 943 674	(23 658 855)	14 284 819	46 128 218	(20 619 098)	25 509 120
Furniture and fixtures	4 286 282	(2 338 561)	1 947 722	4 730 779	(2 133 957)	2 596 822
Motor vehicles	8 660 269	(5 327 322)	3 332 948	10 322 619	(5 179 066)	5 143 553
Office equipment	13 344	(8 386)	4 958	51 017	(35 446)	15 571
Computer equipment	3 972 199	(2 201 700)	1 770 498	5 653 537	(2 830 163)	2 823 374
Infrastructure	2 967 789 690	(1 445 310 154)	1 522 479 536	2 776 400 655	(1 322 600 338)	1 453 800 317
Community	540 528	(389 146)	151 382	648 684	(423 166)	225 518
Assets under construction	21 750 387	-	21 750 387	101 453 186	-	101 453 186
Total	**3 597 462 990**	**(1 715 584 994)**	**1 881 877 996**	**3 493 261 176**	**(1 580 143 676)**	**1 913 117 501**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land and Buildings	321 550 040	3 487 543	-	1 146 590	-	(10 028 428)	-	316 155 745
Plant and machinery	25 509 120	475 857	(4 022 646)	-	-	(7 677 507)	(5)	14 284 819
Furniture and fixtures	2 596 822	-	(175 800)	-	-	(473 190)	(110)	1 947 722
Motor vehicles	5 143 553	494 665	(601 753)	-	-	(1 703 512)	(4)	3 332 949
Office equipment	15 571	-	(5 925)	-	-	(4 687)	(1)	4 958
Computer equipment	2 823 374	131 542	(417 647)	-	-	(768 750)	(21)	1 770 498
Infrastructure	1 453 800 317	9 944 638	-	181 444 398	-	(112 819 502)	(9 890 315)	1 522 479 538
Community	225 518	-	(16 174)	-	-	(57 946)	(16)	151 382
Assets under construction	101 453 186	102 888 190	-	-	(182 590 988)	-	-	21 750 388
	1 913 117 501	117 422 435	(5 239 945)	182 590 988	(182 590 988)	(133 531 522)	(9 890 472)	1 881 877 997

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Depreciation	Impairment loss	Total
Land and Buildings	380 652 067	26 573 185	(74 648 275)	-	-	(11 026 100)	(837)	321 550 040
Plant and machinery	33 214 950	165 000	-	-	-	(7 870 830)	-	25 509 120
Furniture and fixtures	3 121 690	18 609	-	-	-	(543 477)	-	2 596 822
Motor vehicles	6 684 279	-	-	-	-	(1 469 413)	(71 313)	5 143 553
Office equipment	21 185	-	-	-	-	(5 614)	-	15 571
Computer equipment	3 877 887	58 211	-	-	-	(1 112 524)	-	2 823 374
Infrastructure	1 532 179 703	21 282 540	(525 069)	19 398 872	-	(118 535 729)	-	1 453 800 317
Community	284 306	-	-	-	-	(58 788)	-	225 518
Assets under construction	54 319 065	66 532 993	-	-	(19 398 872)	-	-	101 453 186
	2 014 354 932	114 630 538	(75 173 344)	19 398 872	(19 398 872)	(140 622 475)	(72 150)	1 913 117 501

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

4. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	415 115	-	415 115	385 682	-	385 682

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Total
Computer software, other	385 682	29 433	415 115

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Total
Computer software, other	-	385 682	385 682

5. Employee benefit obligations

Long service bonus awards

The municipality's defined benefit obligation consists of an obligation to pay out a bonus in the year of the employee attaining the required service. This obligation represent a liability to the municipality and the value is represented by the present value of the total defined benefit obligation expected to become payable under the municipality's current policy.

The municipality offers bonuses for every 5 years of completed service from 10 years to 45 years.

The amounts recognised in the statement of financial position are as follows:

	2016	2015
Carrying value		
Present value of long service awards bonus-wholly unfunded	(7 015 000)	(5 297 000)

The most recent actuarial valuation of the present value of the long service award bonus were carried out at 30 June 2016 by One Pagaea Financials. The present value of the defined benefit obligation, and the related current service cost and the past service cost, were measured using the Projected Unit Credit Method.

Net expense recognised in the statement of financial performance

	2016	2015
Current service cost	861 000	772 000
Interest cost	428 000	361 000
Actuarial (gains) losses	1 037 000	(14 000)
Bonuses paid	(608 000)	(44 000)
	1 718 000	**1 075 000**

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Key assumptions used

Assumptions used at the reporting date:

	2016	2015
Duration of liability (years)	9	10
Normal retirement age	63	63
Discount rates used	9,10 %	8,60 %
Inflation rate used	6,72 %	6,25 %
Expected increase in salaries	7,72 %	7,25 %

Figures in Rand	2016	2015

5. Employee benefit obligations (continued)

Sensitivity analysis

The valuation basis assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 1,15% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	One percentage point increase	One percentage point decrease
Accrued Liability	7 747 000	6 372 000
Expense cost	1 944 000	1 570 000

As per the table above , a 1% increase in the salary increase rate results in a 10,43% increase in the accrues liability whilst a 1% decrease in the salary increase rate will result in a 9,17% decrease in the accrued liability.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

6. Inventories

Inventories: Land held for sale	74 648 275	74 648 275
Water	11 325 330	7 018 466
Stores and materials	860 335	573 066
	86 833 940	**82 239 807**

During the 2015-2016 the municipality incurred water distribution losses to the value of R67 228 927 (2014-2015 R58 394 773) are in excess of original cost. Inventory is now stated at its original cost.

7. Receivables from exchange transactions

Deposits	83 300	83 300
Trade creditors with debit balances	3 109 162	3 280 072
Debtors shortages	65 010	22 717
Sundry debtors	213 917	62 731
	3 471 389	3 448 820

8. Receivables from non-exchange transactions

Fines	39 454	47 008

Reconciliation of receivables from non-exchange transactions

Provision for impairment	14 490 779	13 024 197
Amounts written off as uncollectible	(14 451 325)	(12 977 189)
	39 454	**47 008**

9. VAT receivable

VAT Receivable	27 067 979	20 852 634
VAT Payable	(11 453 263)	(11 991 816)
	15 614 716	**8 860 818**

All VAT returns have been submitted by the due date throughout the year.

10. Consumer debtors

Gross balances		
Rates	150 707 505	226 805 125
Water	311 199 390	163 212 732
Sewerage	5 871 687	6 402 725
Refuse	111 562 045	53 071 039
	579 340 627	**449 491 621**
Less: Allowance for impairment		
Rates	(152 194 117)	(184 446 571)
Water	(298 751 416)	(158 020 199)
Sewerage	(5 636 820)	(6 200 470)
Refuse	(107 099 564)	(51 380 527)
	(563 681 917)	**(400 047 767)**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

10. Consumer debtors (continued)

Net balance		
Rates	6 341 422	42 358 554
Water	12 447 974	5 192 533
Sewerage	234 867	202 255
Refuse	4 462 481	1 690 512
	23 486 744	**49 443 854**
Rates		
Current (0 -30 days)	2 156 083	5 739 746
31 - 60 days	1 141 456	844 744
61 - 90 days	126 829	831 644
91 - 120 days	126 828	1 415 704
121 - 365 days	507 314	21 837 574
> 365 days	2 282 912	11 689 142
	6 341 422	**42 358 554**
Water		
Current (0 -30 days)	4 232 312	229 858
31 - 60 days	2 240 636	73 150
61 - 90 days	248 960	72 403
91 - 120 days	248 960	72 249
121 - 365 days	995 835	1 021 541
> 365 days	4 481 271	3 723 332
	12 447 974	**5 192 533**
Sewerage		
Current (0 -30 days)	79 855	3 938
31 - 60 days	42 276	4 154
61 - 90 days	4 697	4 128
91 - 120 days	4 698	4 118
121 - 365 days	18 789	68 175
> 365 days	84 552	119 744
	234 867	**202 255**
Refuse		
Current (0 -30 days)	1 517 244	73 900
31 - 60 days	803 547	35 375
61 - 90 days	89 250	35 256
91 - 120 days	89 249	35 199
121 - 365 days	356 999	536 084
> 365 days	1 606 192	974 698
	4 462 481	**1 690 512**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(400 047 765)	(327 775 456)
Contributions to allowance	(163 634 152)	(72 272 311)
	(563 681 917)	**(400 047 767)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

16. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	102 775 567	94 696 399
Rental of facilities and equipment	622 205	787 530
Interest received - investment	27 394 308	21 819 785
	130 792 080	**117 303 714**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	33 183 557	44 693 472
Transfer revenue		
Government grants & subsidies	516 085 505	362 851 765
Licences and permits	5 823 636	5 296 314
Public contributions and donations	13 480 181	25 630 449
Fines, Penalties and Forfeits	1 716 728	11 722 482
Other income	1 254 067	1 337 852
	571 543 674	**451 532 334**

17. Service charges

Sale of water	77 044 207	65 962 470
Sewerage and sanitation charges	1 876 659	1 727 514
Refuse removal	23 854 701	27 006 415
	102 775 567	**94 696 399**

18. Rental of facilities and equipment

Premises	551 971	697 158
Facilities and equipment		
Facilities	70 234	90 372
	622 205	**787 530**

19. Investment revenue

Interest revenue		
Bank	3 241 516	2 598 014
Interest charged on trade and other receivables	17 327 879	17 715 934
Interest on investment	6 824 913	1 505 837
	27 394 308	**21 819 785**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

20. Property rates

Rates received

	2016	2015
Residential	33 183 557	44 693 472

Valuations

	2016	2015
Residential	7 261 231 798	6 879 105 479
Commercial	258 858 015	163 487 015
State	28 937 300	3 960 000
Municipal	115 732 060	97 959 660
Agricultural	1 529 616 000	1 765 238 000
Schools	258 230 500	255 000 500
Parks	23 539 700	24 739 700
Churges	26 127 000	-
	9 502 272 373	**9 189 490 354**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations ere processed on an annual basis to take into account changes in individual property values due to alterations end subdivisions.

21. Grants and subsidies paid

	2016	2015
Municipal Financial Management Grant (FMG)	1 071 504	1 240 000
Municipal Systems Improvement Grant	2 546 342	934 000
Electrification Grant	40 849 652	10 757 000
Water Grant expenditure	13 000 000	300 000

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22. Government grants and subsidies receipted

Operating grants		
Equitable share	288 644 000	259 923 819
Capital grants		
MIG	125 087 054	79 336 946
FMG	1 600 000	1 600 000
MSIG	930 000	934 000
EPWP Grant	3 117 000	3 757 000
Water Subsidy	45 004 451	10 000 000
INEP Grant - In kind	38 703 000	7 000 000
Water Grant - In kind	13 000 000	300 000
	227 441 505	**102 927 946**
	516 085 505	**362 851 765**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

MIG

Balance unspent at beginning of year	57 091 035	88 987 981
Current-year receipts	89 139 000	47 440 000
Conditions met - transferred to revenue	(125 087 054)	(79 338 946)
	21 142 981	**57 091 035**

Conditions still to be met - remain liabilities (see note 13).

FMG

Current-year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(1 600 000)	(1 600 000)
	-	-

EPWP Grant

Current-year receipts	2 182 000	3 757 000
Conditions met - transferred to revenue	(2 182 000)	(3 757 000)
	-	-

MSIG

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-

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Water Grant

Current-year receipts	45 000 000	10 000 000
Conditions met - transferred to revenue	(45 000 000)	(10 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

22. Government grants and subsidies receipted (continued)

INEP

Balance unspent at beginning of year	-	759 819
Allocated to Equitable Share	-	(759 819)
	-	-

Conditions still to be met - remain liabilities (see note 13).

23. Licences and permits

Licences and permits	5 823 636	5 296 314

24. Public contributions and donations

Donation received	13 480 181	25 630 449

Donations by way of assets were received from National Treasury, Department of Environmental Affairs and the Nkangala District Municipality.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. Employee related costs

Basic salary	71 510 694	68 393 459
Bonus	7 231 824	5 305 988
Medical aid - company contributions	5 304 800	4 921 172
UIF	617 724	599 952
WCA	-	1 949 977
SDL	822 151	775 746
Leave pay provision charge	1 719 893	5 471 662
Travel, motor car, accommodation, subsistence and other allowances	2 879 791	2 186 416
Overtime payments	-	124 555
Long-service awards	607 689	1 075 000
Ward committee allowance	3 754 000	3 966 000
Housing benefits and allowances	83 597	84 066
Cellphone allowances	489 050	445 230
Pension contributions	13 120 537	12 697 196
SALGBC	34 224	33 090
Acting allowances	334 104	401 917
	108 510 078	**108 431 426**

Remuneration of Municipal Manager: Mr J Sindane 01 July 2014 to 28 February 2015

Annual Remuneration	-	770 880
Car Allowance	-	120 000
Contributions to UIF, Medical and Pension Funds	-	2 677
Subsistance and travel allowance	-	39 921
	-	933 478

Remuneration of Municipal Manager: Mr ON Nkosi 01 March 2015 to 30 June 2016

Annual Remuneration	917 601	289 080
Car Allowance	180 000	45 000
Contributions to UIF, Medical and Pension Funds	48 324	892
Subsistance and travel allowance	-	39 921
	1 145 925	374 893

Remuneration of Acting Chief Finance Officer: Ms LS Sehlako 01 January 2016 to 30 June 2016

Acting allowance	59 437	-

Remuneration of Acting Chief Finance Officer: Ms MS Makgaba15 March 2015 to 31 December 2015

Annual Remuneration	473 163	262 878
Car Allowance	90 000	195 000
Backpay	18 768	648 297
Contributions to UIF, Medical and Pension Funds	59 465	39 595
Subsistance and travel allowance	8 223	6 558
	649 619	1 152 328

Remuneration of Corporate Services Manager: Mr P Mabuzza

Annual Remuneration	737 190	635 199
Car Allowance	180 000	180 000
Contributions to UIF, Medical and Pension Funds	140 724	201 003
	1 057 914	1 016 202

Remuneration of Social Services Manager: Mr T Kubheka

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. Employee related costs (continued)

Annual Remuneration	797 190	673 930
Car Allowance	120 000	144 000
Contributions to UIF, Medical and Pension Funds	140 724	194 333
	1 057 914	**1 012 263**

Remuneration of Acting Technical Services Manager: Mr V Sibuyi 01 September 2015 to 31 January 2016

Acting allowance	45 049	-

Remuneration of Technical Services Manager: Mr RF Morudu 01 February 2016 to 30 June 2016

Annual Remuneration	633 353	-
Car Allowance	120 000	-
Contributions to UIF, Medical and Pension Funds	94 272	-
	847 625	**-**

Remuneration of Technical Services Manager: Mr AS Ntuli 01 July 2015 to 30 June 2016

Annual Remuneration	137 525	714 804
Car Allowance	20 000	120 000
Back Pay	8 396	-
Contributions to UIF, Medical and Pension Funds	14 563	110 669
Subsistance and travel allowance	14 758	26 624
	195 242	**972 097**

26. Remuneration of councillors

Executive Major	823 609	739 363
Chief Whip	624 952	462 226
Speaker	698 989	595 664
Councillors	17 861 828	16 603 290
	20 009 378	**18 400 543**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

27. Depreciation and amortisation

Property, plant and equipment	133 531 523	140 622 477

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

28. Impairment of assets

Impairments		
Property, plant and equipment	9 890 472	72 150
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

29. Finance costs

Other interest paid	395 605	660 584

30. Debt Impairment

Bad debts	164 697 527	82 732 446

31. Bulk purchases

Water	119 250 318	99 989 953

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

32. General expenses

Advertising	260 684	214 295
Auditors remuneration	4 452 776	4 237 834
Bank charges	296 582	152 989
Consulting and professional fees	7 143 703	6 271 505
Consumables	-	86 887
Discount allowed	325 860	790 100
Entertainment	15 988	300
Insurance	1 175 595	1 364 759
Community development and training	-	122 200
Computer expenses	429 995	143 859
Marketing	85 655	-
LED Expenses	33 051	-
Motor vehicle expenses	4 453 360	1 207 658
Valuation roll	-	763 211
Fuel and oil	4 612 980	3 468 315
Postage and courier	7 625	8 216
Printing and stationery	815 738	859 076
Promotions	261 240	148 145
Project maintenance costs	40 433 989	8 529 662
Security (Guarding of municipal property)	11 447 813	10 543 933
Software expenses	1 048 357	794 323
Subscriptions and membership fees	1 148 910	448 747
Telephone and fax	2 238 292	1 650 914
Training	369 358	779 128
Trevel - local	69 758	220 993
Electricity	5 974 797	5 642 152
Materials and supplies	1 238 259	998 788
Licences	401 471	454 607
Town planning cost	47 723	-
Semple testing - Water	483 834	483 834
Other expenses	27 114 163	23 389 381
	116 387 556	**73 775 789**

33. Decrease in leave and bonus provision

Decrease in leave and bonus provision	224 301	72 199

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

34. Cash generated from operations

(Deficit) surplus	(34 869 693)	27 032 174
Adjustments for:		
Depreciation and amortisation	133 531 523	140 622 477
Loss on sale of assets	5 239 945	558 287
Movement in leave and bonus provision	(224 301)	(72 199)
Impairment deficit	9 890 472	72 150
Debt impairment	164 697 549	82 732 446
Movements in retirement benefit assets and liabilities	1 718 000	1 075 000
Movements in other provisions	(3 560 845)	2 286 381
Payables adjustment	-	602 867
VAT adjustment	(3 516 843)	(9 099 458)
Loss on property, plant and equipment	-	106 053
Changes in working capital:		
Inventories	(4 594 133)	(80 898 156)
Receivables from exchange transactions	(22 569)	(40 063)
Consumer debtors	(129 849 006)	(111 104 251)
Other receivables from non-exchange transactions	7 554	(50 812)
Payables from exchange transactions	(1 142 251)	37 296 352
VAT	(6 753 898)	4 655 293
Unspent conditional grants and receipts	(35 948 054)	(32 656 765)
	94 603 450	**63 117 776**

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35. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	3 641 991	3 641 991
Other receivables from non-exchange transactions	-	47 008	47 008
Cash and cash equivalents	66 435 123	-	66 435 123
	66 435 123	**3 688 999**	**70 124 122**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	89 253 652	89 253 652

2015

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	5 688 992	5 688 992
Other receivables from non-exchange transactions	-	13 383 060	13 383 060
Cash and cash equivalents	86 437 076	-	86 437 076
	86 437 076	**19 072 052**	**105 509 128**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	90 590 337	90 590 337

36. Commitments

Authorised capital expenditure

	2016	2015
Already contracted for but not provided for		
• Property, plant and equipment	79 620 063	104 130 694
Total capital commitments		
Already contracted for but not provided for	79 620 063	104 130 694

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

37. Contingencies

THLM vs Lawmark Consulting CC - Case no: 70121/11
Joint Venture between Lawmark and Casnans is suing the municipality for termination of contract. The amount being claimed is R1 200 000.

THLM vs Piet Chilli - Case no:12/2013

Mr Chilli has issued a summons against the municipality claiming among other loss of income as a result of alleged breach of contract on the part of the municipality to the amount of R38 204.

Johannah Ntuli vs THLM - Case no: 1313/15
Johannah Ntuli is claiming R1 550 000 for damages as a result of negligence of the municipality.

THLM vsTelkom - Case no: 110/2015
The plaintiff is alleging that at or near Moloto Road on or about the 04th of March 2013, employees of the municipality acting within their scope of employment damaged an overhead cable belonging the plaintiff. No amount available

JC Msiza & BM Skosana vs TMLM - Case no 1263/12
Awaiting judgement on the application for leave to Appeal - No amount available

TMLM vs SAMWU abo Thutse Reinethine Mmantimo - Case no: JS436/15
There were two appointments done while the vacant position was one. - Amount claimed R170 658.00

Imatu Obo MM Legodi vs THLM - Case no: MPD 041601
Unfair Labour Practice: The applicant has lodged an unfair labour practice dispute against THLM in that she was denied a fair and equal opportunity in competing for the Chief Risk Officer position. Matter is still under investigation

38. Related parties

There were no related party transactions during the financial period

39. Prior period errors

The correction of the error(s) results in adjustments as follows:

	2016	2015
Statement of financial position		
Intangible assets: Software additions 2014-2015	-	385 682
Investment Properties: Write back	-	(1 238 919)
Inventory: Land held for sale recognition	-	74 648 275
PPE: Balancing of Trial balance prior year	-	10 042 590
Payables - Trade Creditors: Correction of prior year error and duplication invoice	-	184 274
Payables - Retention: VAT recognition 2014-2015	-	(509 903)
Consumer Debtors: Update of Suplementary valuation roll	-	30 929 984
PPE: Fixed Asset Register correction for 2014-2015	-	352 241 104
PPE: Moveable assets addition correction 2014-2015	-	241 819
VAT: Correction 2014-2015 Input VAT and Output VAT	-	8 128 119
Opening Accumulated Surplus or Deficit	-	(376 805 095)
Statement of Financial Performance		
Depreciation expense	-	35 345 568
Debt impairment	-	27 526 794
Machinery & equipment (vote: 550307010)	-	(76 819)
Repairs & maintenance (vote: 540235050)	-	(165 000)
Software licence (vote: 10626030)	-	(385 681)

Notes to the Annual Financial Statements

Figures in Rand

40. Comparative figures

Certain comparative figures have been reclassified.

Statement of Financial Position	2015 Restated	2015 PUBLISHED	Explanation of change
Assets			
Current Assets			
Inventory: Land held for sale	82 239 807	7 591 532	Recognision of land held for sale
Receivables from exchange transactions	3 448 820	3 495 829	Split between exchange and non exchange receivables
Receivables from non-exchange transactions	47 008	-	Split between exchange and non exchange receivables
Consumer debtors	49 443 854	46 041 666	Debtors written back and debit notes passed
Non-Current Assets			
Property, Plant and Equipment	1 913 117 501	1 585 937 556	Updated FAR with relevent project information
Intangible assets	385 682	-	Correction of intangible asset previously not recognised
Liabilities	-		
Current Liabilities		-	
Payables from exchange transactions	90 420 928	89 911 025	Correction of VAT in Retention not recognised previously
Accumulated surplus	1 761 857 897	1 358 020 630	Refer prior period error note 39

Statement of Financial Performance	2015 Restated	2015 PUBLISHED	Explanation of change
Revenue			
Revenue from Exchange Transactions			
Service charges	94 696 399	56 256 818	Debtors written back and debit notes passed
Rental of facilities	767 530	773 694	Reclassification of revenue
Interest received - investment	21 819 785	4 103 851	Consolidation of interest and correction of debtors
Interest received - trading	-	24 678 747	Included above
Revenue from Non-Exchange Transactions			
Taxation Revenue			
Property rates	44 693 472	45 254 092	Debtors written back and debit notes passed
Expenditure			
Employee related costs	(108 431 425)	(104 534 024)	Employee related cost incorrectly included under general expenditure
Remuneration of councilors	(18 400 543)	(18 331 948)	Remuneration of councilors incorrectly included in general expenses
Rental of office equipment	(768 939)	-	Rental of office equipment incorrectly included as general expenditure
Depreciation	(140 622 477)	(105 276 909)	Updated FAR with relevant project information

Notes to the Annual Financial Statements

Figures in Rand

40. Comparative figures (continued)

Repairs and maintenance	(2 693 592)	(1 478 104)	Waste water network incorrectly included under general expenditure
Debt impairment	(82 732 446)	(5 520 582)	Debtors written back and debit notes passed
Grants and subsidies	(13 231 000)	(12 297 000)	MSIG grant incorrectly included in general expenditure
General expenditure	(73 775 789)	(81 045 895)	Correction of incorrect allocation to general expenditure

41. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Figures in Rand

41. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2016				
Payables from exchange transactions	58 767 728	17 327 419	2 813 883	10 369 650
At 30 June 2015				
Payables from exchange transactions	64 610 930	11 868 244	1 093 911	12 847 843

Financial Instrument	2016	2015
Cash and cash equivalents	68 831 678	86 440 151
Consumer debtors	23 486 744	49 443 854
Receivables from exchange transactions	3 471 389	3 448 820
Receivables from non-exchange transactions	39 454	47 008

42. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had a deficit of R (34 869 693) and that the municipality's total liabilities does not exceed its assets.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

43. Unauthorised expenditure

Unauthorised expenditure	93 422 232	115 850 336

44. Fruitless and wasteful expenditure

Opening balance	2 382 896	92 367
Fruitless and wasteful expenditure current year	303 650	2 290 529
	2 686 546	**2 382 896**

Fruitless and wasteful expenditure occurred due to interest paid on late payments made to the following suppliers:.

Auditor General South Africa R 36 123

Notes to the Annual Financial Statements

Figures in Rand

44. Fruitless and wasteful expenditure (continued)

Eskom	R 9 075
Randwater	R248 100
Telkom	R 10 352

45. Irregular expenditure

Opening balance	99 330 927	49 220 682
Add: Irregular Expenditure - current year	76 391 928	50 996 479
Less: Amounts written off	-	(886 234)
	175 722 855	**99 330 927**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Max Prof	VAT recovery	5 732 743
VVT (Subcontractors)	Appointment for maintenance of water infrastructure	30 756 796
Speedway	Supply of Diesel and Fuel Contract were extended incontravention with section 111 of MFMA Act	4 243 983
Munsoft	Maintenance of FMS	1 188 933
Rand Water Project	MIG water project: Rand Water appointed for MIG project	33 905 555
De Wit Motors	Procurement of Mayors Car	563 918
		76 391 928

46. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year fee	4 452 776	4 526 897
Amount paid - current year	(4 452 776)	(4 526 897)
	-	-

PAYE and UIF

Current year fee	12 627 269	11 749 526
Amount paid - current year	(12 627 269)	(11 749 526)
	-	-

Pension and Medical Aid Deductions

Current year fee	19 818 876	19 450 059
Amount paid - current year	(19 818 876)	(19 450 059)
	-	-

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Buda HM	216	109	325
Dhlangalala Hereminah Nomakhuwa	471	-	471
Dube Shellboy Senzeni	34	-	34
Hlungwani Sarah Malebo	18 202	1 897	20 099
Khumalo Aaron Bhinga	305	-	305
Mahlangu Amos	141	32	173
Mahlangu Bellinah Thobile	3 631	-	3 631
Mahlangu Ndaweni Johannes	1 168	10 995	12 163
Mahlangu Jerry Thili	141	356	497
Masango Seisiwe Jack	61	-	61
Mashiya Joseph Fanie	478	639	1 117
Masombuka Bafana Philip	165	4 156	4 321
Masombuka John Msebenzi	6 354	3 829	10 183
Mboweni Linda Modiegi	-	3 131	3 131
Mlambo Maria	238	144	382
Mnamatheli Samuel Zwelabo	77	-	77
Mnguni Maria Qhubeni	652	-	852
Mnisi Sgaula Timothy	149	773	922
Mohoaduba Andrew Mduduzi	142	-	142
Mosena Mapuse Christina	1 250	-	1 250
Moseri Phineas Pule	19 450	625	20 075
Motena Mitopi Andries	14	350	364
Mthombeni Thandi Winnie	379	12 951	13 330
Mtshweni SP	686	3 273	3 959
Ngoma Norman	28	2 585	2 613
Nkabinde Moses Michael	1 422	-	1 422
Nobela Maria Truddy	165	81	246
Sepogoane Moses Mmoisetsie	93	316	409
Shabalala Mandla Cyrel	2 901	-	2 901
Sikosana Mzwandile Obed	141	46	187
Tau Joyce Johannah	58	-	58
Tshabangu Lillian Martha	693	-	693
Zabane Canelia Dudu	93	-	93
	59 998	**46 288**	**106 286**

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mahlangu Amos	136	8 065	8 201
Mtsweni Phillip Mcitwa	137	632	769
Huma Tabeah Leah	102	1 539	1 641
Motana Mitopi Andries	-	304	304
Skosana Bandile Johanna	126	5 592	5 718
Jiyane Koos Vusi	-	1 124	1 124
Mahlangu Johannes Buti	-	846	846
Mohlamonyane Raisibe Hellen	-	685	685
Mlambo Maria	-	804	804
Mashiya Joseph Fanie	242	9 522	9 764
Mnisi Sgaule Timothy	9	948	957

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Sepogoane Moses Mmoisetsie	120	3 236	3 356
Khumalo Aaron Bhinga	-	1 068	1 068
Mhlangi Jerry Thili	125	6 215	6 340
Mtsweni S P	89	1 582	1 671
Buda H N	99	1 251	1 350
Msibi Daisy Mamanyana	88	1 300	1 388
Mnguni Maria Qhubeni	-	570	570
Sikosna Mzwandile Obed	-	824	824
Masango Seisiwe Jack	94	1 934	2 028
Mahlangu Solomon Linda	137	7 172	7 309
Malefo Nimrod Boitumelo	90	1 475	1 565
Ntuli Jan Samuel	89	1 586	1 675
Motau Aaron Samson	184	7 113	7 297
Mahlangu Bellinah Thobile	240	11 577	11 817
Mtsweni June Lindeni	55	8	63
Dube Shellboy Senzeni	108	797	905
Kabine Hendrick Martin	185	5 748	5 933
Nkabinde Moses Michael	90	940	1 030
Mnamatheli Samuel Zwelabo	19	1 796	1 815
Lukele David Vulani	240	14 775	15 015
Hlunwani Sarah Malebo	332	14 732	15 064
Mahlangu Ndaweni Johannes	4	4 102	4 106
Nthombeni Thandi Winnie	333	20 096	20 429
Zabane Canelia Dudu	126	6 404	6 530
Nobela Maria Truddy	121	4 645	4 766
Tau Joyce Johannah	-	1 412	1 412
Msiza Marcia	-	1 706	1 708
Tshabangu Lillian Martha	115	1 402	1 517
Mboweni Linda Modiegi	92	1 675	1 767
Dhlangalala Hereminah Nomakhuwa	92	1 675	1 767
Motanyane Thokozile Egnes	159	282	441
Kabini Sam Ququza	141	7 997	8 138
Masuku Mary Jane	89	1 130	1 219
Moseri Phineas Pule	403	18 968	19 371
Mashinini Thabisile Elsie	140	8 932	9 072
Mohoadube Andrew Mduduzi	113	1 748	1 861
Sibanyoni Bethuel	454	20 117	20 571
Danisa Muziwakhile	-	756	758
Mahlangu Zelani Nelly	186	4 755	4 941
Mtweni Rubber Qaliwe	88	1 090	1 178
Mnguni Zenaye Jantjie	140	8 826	8 966
Komane Moloi Gibson	140	8 826	8 966
Mandosela Malasi Josiah	124	5 700	5 824
Masombuka Bafana Philip	139	11 438	11 577
Masangu Thandi Esther	37	1 195	1 232
Myakeni Boisana Soloman	32	855	887
Zondi Stanley Thabang	-	540	540
Masombuka John Msebenzi	295	5 658	5 953
Shabalala Mandla Cyrel	268	11 046	11 314
Msiza Poppy Maria	11	242	253
	6 978	**278 978**	**285 956**

Audited
By
2016 -11- 30
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Notes to the Annual Financial Statements

Figures in Rand

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by theMunicipal Manager and be reorted to Council for noting.

Incident		
If such goods or services are produced or available only	-	16 436
In any other exceptional case where it is impractical or impossiblet to follow official procurement process	377 534	136 069
	377 534	**152 505**

47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Repairs of the recording system in the Municipal Council Chamber during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The municipality appointed a service provider in terms of section 32 and did not go out on tender resulting in a deviation from the tender process. The amount of appointment was R1 665 881.

THEMBISILE HANI LOCAL MUNICIPALITY
Appendix F: Unaudited
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2016

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Re nonc
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
Finance Management Grant		-	-	1 600 000	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Municipal system improvement grant		-	-	930 000	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Municipal Infrastructure Grant		-	-	45 273 000	-	-	-	-	-	41 699 000	-	-	-	-	-	-		Yes	
Water Services Operating Subsidy (Sch 6)		-	-	3 750 000	-	-	-	-	-	7 500 000	-	-	-	-	-	-		Yes	
EPW		-	-	1 247 000	-	-	-	-	-	935 000	-	-	-	-	-	-		Yes	
		-	-	52 800 000	-	-	-	-	-	50 134 000	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.